

**RURAL WATER DISTRICT NO. 4,
GARVIN COUNTY**

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2022

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
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Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453

Fax (580) 363-0068

Independent Auditor's Report

Board of Directors

Rural Water District No. 4, Garvin County

Opinion

We have audited the accompanying financial statements of Rural Water District No. 4, Garvin County, Oklahoma which comprise the statement of net position as of October 31, 2022 and the related statements of revenues and expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Rural Water District No. 4, Garvin County, as of October 31, 2022; the changes in financial position; and, cash flows thereof, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District No. 4, Garvin County, Oklahoma and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District No. 4, Garvin County, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Water District No. 4, Garvin County, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District No. 4, Garvin County, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Rural Water District No. 4, Garvin County, Oklahoma has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2023 on our consideration of Rural Water District No. 4, Garvin County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rural Water District No. 4, Garvin County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Water District No. 4, Garvin County, Oklahoma's internal control over financial reporting and compliance.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 17, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Rural Water District No. 4, Garvin County

We have audited the financial statements of Rural Water District No. 4, Garvin County as of and for the year ended October 31, 2022 and have issued our report thereon dated January 17, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water District No. 4, Garvin County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District No. 4, Garvin County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Water District No. 4, Garvin County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of control deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

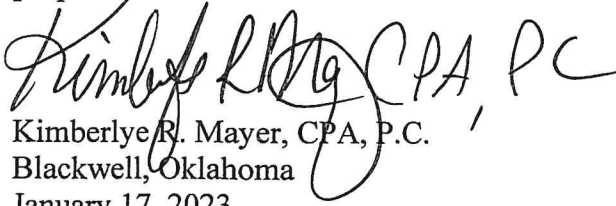
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Water District No. 4, Garvin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.)


Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 17, 2023

FINANCIAL STATEMENTS

AND

NOTES

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF NET POSITION
OCTOBER 31, 2022

ASSETS

Current Assets:

Operating accounts	\$ 134,790
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Total cash and cash equivalents	<u>134,790</u>
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Certificates of deposit	854,618
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Accounts receivable (Note 3)	58,966
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Prepaid insurance	5,787
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Inventory	<u>4,126</u>
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Total Current Assets	1,058,287
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Restricted debt service account (Note 6)	5,413
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Reserve certificate	1,000
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Water system (net of accumulated depreciation) (Note 4)	2,173,620
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Total Assets	<u><u>\$ 3,238,320</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 378,667
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Payroll taxes due	1,417
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Notes payable (current portion)(Note 7)	<u>30,791</u>
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Total Current Liabilities	410,875
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Notes payable (long-term)(Note 7)	<u>952,609</u>
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Total Liabilities	1,363,484
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Net Position:

Net investment in capital assets	1,190,220
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Unrestricted	<u>684,616</u>
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Total Net Position	<u><u>1,874,836</u></u>
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Total Liabilities and Net Position	<u><u>\$ 3,238,320</u></u>
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The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED OCTOBER 31, 2022

Operating Revenue:	
Water sales	\$ 471,532
Late fees	3,956
Transfer fees	1,450
Other income	1,354
Total Operating Revenue	<u>478,292</u>
Operating Expense:	
Water costs	136,703
Payroll	44,508
Payroll taxes	3,847
Employee benefits	26,187
Meetings and training	2,168
Insurance	7,742
Office supplies and postage	9,163
Dues, licenses and fees	4,019
Professional fees	6,385
Repairs and maintenance	66,191
Contract labor	68,540
Vehicle expenses	16,172
Telephone	4,715
Utilities	11,170
Depreciation	79,764
Total Operating Expenses	<u>487,274</u>
Income (Loss) From Operations	(8,982)
Non-operating Revenue (Expense):	
Interest expense	(23,556)
Loan administration fees	(5,599)
Benefit units	22,700
Advertising and rental income	11,070
Interest income	6,985
Total Non-operating Revenue (Expense)	<u>11,600</u>
Change in Net Position	2,618
Net Position, beginning of year	<u>1,872,218</u>
Net Position, end of year	<u><u>\$ 1,874,836</u></u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2022

Cash Flows From Operating Activities:

Cash received from customers	476,480
Cash payments to employees	(44,508)
Cash payments to suppliers for goods and services	(211,077)
Net cash provided (used) by operating activities	<u>220,895</u>

Cash flows from non-capital financing activities:

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(282,412)
Loan administration fees	(5,599)
Principle payments	(29,932)
Interest paid	(23,556)
Advertising and rental income	11,070
New memberships	22,700
Net cash provided (used) by financing activities	<u>(307,729)</u>

Cash flows from investing activities:

Interest on cash and investments	6,985
(Increase) decrease in CD's	(6,586)
Net cash provided (used) by investing activities	<u>399</u>

Net increase (decrease) in cash and cash equivalents	(86,435)
Beginning cash and cash equivalents	221,225
Ending cash and cash equivalents	<u>\$ 134,790</u>

Reconciliation of operating income (loss) to

net cash provided (used) by operating activities:

Operating income (loss)	\$ (8,982)
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	
Depreciation	79,764
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,812)
(Increase) decrease in prepaids	(235)
(Increase) decrease in debt service account	
Increase (decrease) in payables	<u>152,160</u>

Net cash provided (used) by operating activities	<u>\$ 220,895</u>
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RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Rural Water District No. 4, Garvin County was organized and established under the provisions of Title 82 of the laws of the State of Oklahoma. The purpose of this District is to furnish and supply to owners and occupants of property within the corporate limits, water and related facilities and services.

The District is a governed entity administered by a Board of Directors that act as the authoritative and legislative body of the entity. The Board is comprised of elected board members.

Basis of Accounting

The accounting policies of Rural Water District No. 4, Garvin County conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Cash and Deposits

Cash and deposits are maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation. The State of Oklahoma allows government entities to invest in the following: direct obligations of the United State Government, its agencies, or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purpose of the State of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2022

NOTE 3 – ACCOUNTS RECEIVABLES:

The accounts receivable balance at October 31, 2022 includes amounts due from customers for water service. The District's bad debts in the past have been immaterial, therefore, no allowance for doubtful accounts has been recorded.

NOTE 4 – WATER SYSTEM:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended October 31, 2022 was \$79,764. The following is a summary by category of changes in property and equipment:

Category	10/31/21	Additions	Deletions	10/31/22
Machinery and equipment	\$ 20,070	\$	\$	\$ 20,070
Buildings	127,572	3,500		131,072
Waterline system	2,759,228	159,590		2,918,818
Work in progress	15,000	119,323		134,323
Accumulated depreciation	(950,899)	(79,764)		(1,030,663)
Net	<u>\$ 1,970,971</u>	<u>\$ 202,649</u>	<u>\$</u>	<u>\$ 2,173,620</u>

NOTE 5 – DEPOSITS:

The District maintains deposits in excess of the FDIC limit. These excess deposits are insured through an irrevocable letter of credit carried by the financial institution for \$700,000. This letter of credit expires September 15, 2023.

NOTE 6 – RESTRICTED ACCOUNT:

As part of the loan agreement with OWRB, (Note 7), the District is to maintain a debt service account. Monthly payments are remitted to a trustee bank who administers the semiannual payments. At October 31, 2022, this account had a balance of \$5,413.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2022

NOTE 7 – NOTES PAYABLE:

In March 2015, the District entered into a \$1,183,456 note payable agreement with OWRB for construction projects. The interest rate is 2.31% and the administration fee is .5%. Payments to the trustee bank began on March 15, 2016 and will continue for 30 years. The current monthly payments are \$4,882. The semiannual payments are due on March 15th and September 15th of each year. The following is a detail of the loan activity during the year ended October 31, 2022:

Balance at 10/31/21	\$ 1,013,332
Principle payments	<u>(29,932)</u>
Balance at 10/31/22	<u>\$ 983,400</u>

The following is a summary of the District's future annual debt requirements:

Year Ended		Payments	Principal	Interest & Admin. fees
	10/31/2023	58,587	30,791	27,796
	10/31/2024	58,587	31,599	26,988
	10/31/2025	58,587	32,580	26,007
	10/31/2026	58,587	33,516	25,071
	10/31/2027	58,587	34,477	24,110
10/31/2028	10/31/2032	292,935	187,679	105,256
10/31/2033	10/31/2037	292,935	216,281	76,654
10/31/2038	10/31/2042	292,935	249,154	43,781
10/31/2043	10/31/2045	234,348	167,323	67,025
	Totals	<u>\$ 1,406,088</u>	<u>\$ 983,400</u>	<u>\$ 422,688</u>

NOTE 8 – CONTRACT RECEIVABLES:

The District and the PVMA reached an agreement effective February 1, 2007, in which the District transferred certain customers and infrastructure located in the Pauls Valley city limits to the PVMA. The agreement set forth that the District and the PVMA would each obtain an appraisal of the infrastructure transferred to the PVMA. Then, a third appraiser would be obtained, and the three appraisers would reach an agreement as to the value of the infrastructure transferred. During the year ended October 31, 2011, the District and PVMA reached an agreement on the value of the infrastructure. The amount due from PVMA for the purchase of this infrastructure was recorded as contracts receivable in previous years but is -0- as of October 31, 2022. No imputed interest has been recorded on this debt. The PVMA will also pay the District an amount equal to an average of five years net income for those customers transferred to the PVMA. This additional compensation is to be paid in sixty equal installments to the District. At the date of this report, no amount has been determined and no installments on this additional compensation have been received. In the agreement, the District has also given PVMA the right to serve current and future customers within a given area for a period of 99 years. The water costs are currently being recorded as accounts payable to cover the amount the PVMA will owe once that amount is calculated.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2022

NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents, certificates of deposit, inventory, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 10 – BUDGETS:

The District is not legally required to adopt a budget.

NOTE 11 – ESTIMATES:

reparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 12 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES:

As of October 31, 2022, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 17, 2023, the date which the financial statements were available to be issued.